

OFFICE OF MANAGEMENT AND BUDGET

Cost of Hospital and Medical Care and Treatment Furnished by the United States; Certain Rates Regarding Recovery From Tortiously Liable Third Persons

By virtue of the authority vested in the President by Section 2(a) of P.L. 87-693 (76 Stat. 593; 42 U.S.C. 2652), and delegated to the Director of the Office of Management and Budget by Executive Order No. 11541 of July 1, 1970 (35 FR 10737), the three sets of rates outlined below are hereby established. These rates are for use in connection with the recovery, from tortiously liable third persons, of the cost of hospital and medical care and treatment furnished by the United States (Part 43, Chapter I, Title 28, Code of Federal Regulations) through three separate Federal agencies. The rates have been established in accordance with the requirements of OMB Circular A-25, requiring reimbursement of the full cost of all services provided. The rates are established as follows:

(1) *Department of Defense.* The FY 1996 inpatient rates are based on the cost per Diagnostic Related Group (DRG), which is the inpatient full reimbursement rate per hospital discharge, weighted to reflect the intensity of the principal diagnosis involved. The average cost per Relative Weighted Product (RWP) for large urban, other urban/rural and overseas facilities will be published annually as an inpatient standardized amount.

The adjusted standardized amounts (ASA) per Relative Weighted Product (RWP) for use in the Direct Care System will be comparable to procedures utilized by Health Care Financing Administration (HCFA) and the Civilian Health and Medical Program for the Uniformed Services (CHAMPUS). These expenses will include all direct care expenses. The average cost per relative weighted product for large urban, other urban/rural and overseas facilities will be published annually as an inpatient standardized amount and will include the cost of inpatient professional services. The DRG rates will apply to reimbursement from all sources. A relative weight for each DRG using the standardized amount will be the same as the DRG weights published annually for hospital reimbursement rates under the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) pursuant to 32 CFR 199.14(a)(1) which includes adjustments for outliers, area wages, and indirect medical education.

(2) *Department of Health and Human Services.* The sum of obligations for each cost center providing medical service is broken down into amounts attributable to inpatient care on the basis of the proportion of staff devoted to each cost center. Total inpatient costs and outpatient costs thus determined are divided by the relevant workload statistic (inpatient day, outpatient visit) to produce the inpatient and outpatient rates. In calculation of the rates, the Department's unfunded retirement liability cost and capital and equipment depreciation cost were incorporated to conform to requirements set forth in OMB Circular A-25. In addition, each cost center's obligations include all costs for accounts, such as Medicare and Medicaid collections and Contract Health funds used to support direct program operation. Inclusion of these funds yields a more accurate indication of the cost of care in HHS facilities.

(3) *Department of Veterans Affairs.* The actual costs and per diem rates by type of care the previous year are added to the facility overhead costs and then adjusted by the budgeted percentage change for the current year and the budget year to compute the base rate for the budget year. The base rate is then adjusted by the estimated cost for depreciation of buildings and equipment, central office overhead, Government employee retirement and disability charges, and return on fixed assets (interest on capital for land, buildings and equipment (net book value)), to compute the budget year tortiously liable reimbursement rates. Also shown for inpatient per diem rates are breakdowns into three cost components: Physician; Ancillary; and Nursing, Room and Board. As with the total per diem rates, these breakdowns are calculated from actual data by type of care for the previous year.

These rates represent the reasonable cost of hospital, nursing home, medical, surgical, or dental care and treatment (including prostheses and medical appliances) furnished or to be furnished by the United States in Federal hospitals, nursing homes, and outpatient clinics administered by the Department of Defense, the Department of Veterans Affairs and the Department of Health and Human Services.

For such care and treatment furnished at the expense of the United States in a facility not operated by the United States, the rates shall be the amounts expended for such care and treatment.

For the Department of Defense, effective October 1, 1995 and thereafter:

I. Inpatient Rates (Per Inpatient Day) ¹

Full reimbursement rate

A. Burn Center	\$3,794
B. Surgical Care Services (Cosmetic Surgery)	1,567
C. All Other Inpatient Services (Based on Diagnosis Related Groups (DRG) Charges)	

1. FY 1996 Direct Care Inpatient Reimbursement Rates (Adjusted Standard)

Full cost

Large Urban	\$4,713
Other Urban/Rural	4,745
Overseas	6,038

2. Overview

The FY 1996 inpatient rates are based on the cost per DRG which is the inpatient full reimbursement rate per hospital discharge, weighed to reflect the intensity of the principal diagnosis involved. The average costs per Relative Weighted Product (RWP) for large urban, other urban/rural and overseas facilities will be published annually as an inpatient standardized amount. (See item 1 above). A "relative weighted product" for each DRG case to apply to the standardized amount will be determined from DRG weights published annually for hospital reimbursement rates under the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) pursuant to 32 CFR 199.14(a)(1) with adjustments for outliers. Standardized amounts will be adjusted for area wage differences and indirect medical education. An example of how to apply DoD costs to a DRG standardized weight to arrive at DoD costs is contained in part 3 of Section I.C., below.

3. Example of Adjusted Standardized Amounts for Procedures Performed

Large Urban Area—Example

a. The cost to be recovered is DoD's cost for medical services provided in a large urban area. Billings will be at the third party rate.

b. DRG 020: Nervous System infection except viral meningitis. Relative Weighted Product for an inlier case is the CHAMPUS weight of 2,0327.

c. The DoD adjusted standardized amount to be recovered is \$4,713 (i.e., the third party rate as shown in the table).

d. DoD cost to be recovered at a non-teaching hospital with area wage index of 1.0 is the RWP factor (2,0327) in item 3.b., above, times the amount (\$4,713) in 3.c., above.

Cost to be recovered is \$9,580.

II. Outpatient Rates ¹

Code	Clinical services	Full reimbursement rate
A. Medical Care		
BAA	Internal Medicine	\$163
BAB	Allergy	56
BAC	Cardiology	116
BAE	Diabetes	70
BAF	Endocrinology	152

<i>Code</i>	<i>Clinical services</i>	<i>Full reimbursement rate</i>	<i>Code</i>	<i>Clinical services</i>	<i>Full reimbursement rate</i>		
BAG	Gastro-enterology.	190	BHC	Optometry	71	Nursing, Room and Board	598
BAH	Hematology	269	BHD	Audiology	57	Surgery	1,576
BAI	Hypertension ..	60	BHE	Clinic.		Physician	174
BAJ	Nephrology	230	BHF	Speech Pathology.	88	Ancillary	478
BAK	Neurology	177	BHG	Community Health.	80	Nursing, Room and Board	924
BAL	Nutrition	51	BHI	Occupational Health.	84	General Psychiatry	458
BAM	Oncology	157	BIA	Immediate Care Clinic.	139	Physician	43
BAN	Pulmonary Disease.	205		H. Emergency Medical Care		Ancillary	72
BAO	Rheumatology	147	BJA	Emergency Care Clinic 163.		Nursing, Room and Board	343
BAP	Dermatology ...	100		I. Flight Medicine Clinic		Intermediate Medicine	337
BAQ	Infectious Disease.	139	BJA	Flight Medicine.	151	Physician	17
BAR	Physical Medicine.	132		J. Underseas Medicine Care		Ancillary	49
	B. Surgical Care		BKA	Underseas Medicine Clinic 65.		Nursing, Room and Board	271
BBA	General Surgery.	193		K. Rehabilitative Services		Neurology	847
BBB	Cardio-vascular/Thoracic Surgery.	183	BLA	Physical Therapy.	49	Physician	124
BBC	Neurosurgery ..	228	BLB	Occupational Therapy.	96	Ancillary	224
BBD	Ophthalmology	131	BLC	Neuromuscular Skeletal Screening.	37	Nursing, Room and Board	499
BBE	Organ Transplant.	262		L. Same Day Surgery	767	Rehabilitation Medicine	712
BBF	Otolaryngology	150		III. Other Rates and Charges		Physician	81
BBG	Plastic Surgery	170				Ancillary	218
BBH	Proctology	159				Nursing, Room and Board	413
BBI	Urology	174				Blind Rehabilitation	859
BBJ	Pediatric Surgery.	125				Physician	69
	C. Obstetrical and Gynecological (OB-GYN)					Ancillary	427
BCA	Family Planning.	87				Nursing, Room and Board	363
BCB	Gynecology	118				Spinal Cord Injury	855
BCC	Obstetrics	113				Physician	106
	D. Pediatric Care					Ancillary	215
BDA	Pediatric	88				Nursing, Room and Board	534
BDB	Adolescent	86				Substance Abuse (Alcohol and Drug Treatment)	295
BDC	Well Baby	64				Physician	28
	E. Orthopaedic Care					Ancillary	68
BEA	Orthopaedic	163				Nursing, Room and Board	199
BEB	Cast Clinic	69				Nursing Home Care, rates per day	
BEC	Hand Surgery ..	69				Nursing Home Care	266
BEE	Orthopaedic Appliance.	112				Physician	8
BEF	Podiatry	79				Ancillary	36
BEZ	Chiropractic Clinic.	49				Nursing, Room and Board	222
	F. Psychiatric and/or Mental Health Care					Outpatient Medical and Dental Treatment	
BFA	Psychiatry	165				Outpatient Visit	205
BFB	Psychology	135				Emergency Dental Outpatient Visit	104
BFC	Child Guidance.	56				Prescription Filled	20
BFD	Mental Health	119				Notes	
BFE	Social Work	129				1. Pursuant to the provisions of 10 U.S.C. 109, the inpatient Diagnosis Related Groups are 96 percent hospital and 4 percent professional fee. The outpatient per visit percentages are 58 percent hospital, 29 percent ancillary and 13 percent professional.	
BFF	Substance Abuse Rehabilitation.	98				2. The Medical Expense and Performance Reporting System (MEPRS) code is a three digit code which defines the summary account and the subaccount within a functional category in the DoD medical system. An example of this hierarchical arrangement is as follows:	
	G. Primary Medical Care						
BGA	Family Practice.	105					
BHA	Primary Care ..	102					
BHB	Medical Examination.	93					

Management and Budget October 24, 1994
(59 FR 53492).

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[FR Doc. 95-29043 Filed 11-28-95; 8:45 am]

BILLING CODE 3110-01-P